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Czech Financial Decrees

A. Major provisions of the Czech financial decrees of Saturday, 30 May, effective date, Monday, 1 June, are:

1. ~~New currency pegged to ruble at rate 1:8 koruny to 1 ruble (old rate 12 1/2 to 1).~~
2. All wages and prices etc. initially set at 1/5 former level.
3. All cash holdings (except up to 300 koruny for certain persons for which 5 to 1). redeemed at 50 to 1. This includes private and public enterprises.
4. Bank deposits (except worker and school group savings for which 5 to 1) redeemed at progressively less favorable rate beginning with 5 to 1 for first 5,000 and ending with 30 to 1 for all over 50,000.
5. Virtually entire internal state debt repudiated, affecting particularly those compensated with bonds for nationalized property.
6. Established uniform state prices on all goods at level considerably above former national level although lower than free market.
7. Raised wages approximately 7 to 10%.
8. Worker purchasing power thus reduced approximately 13% to 40% depending on extent to which various groups dependent upon rationing. *(Average 25%)*

B. Results.

1. Public reaction was immediate and most violent in years, especially among workers who are hardest hit.
2. Press admitted open rioting in Pilsen (Skoda Works). USMA, on 4 and 5 June observed intensive security measures in the area.
3. Embassy believes reports of worker protests elsewhere basically true, but, rather than open revolt, passive resistance through slowdowns.
4. Augmentad Security measures in Prague, although no rioting.

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5. Public and officials thoroughly confused by complicated decrees.
6. Government soon had to squelch rumors work norms would be raised and had to limit quantities of basic goods which could be bought at one time.
7. Workers who are now wholly dependent on current earnings and who are threatened by serious reduction of purchasing power, will be forced to work harder and longer.
8. State security definitely has had the situation under control and resentment now only smouldering. However, it is reported that on 9 June state security ordered increased alert to search out provocateurs.
9. Timing appears bad in view of poor publicity in contrast with Soviet moves of conciliation toward their people. No evidence yet of any government shakeup however.

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